GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4091
ANSWERED ON:14.12.2001
CREDIT CARD DEFAULT CASES
NARESH KUMAR PUGLIA;NEDURUMALLI JANARDHANA REDDY

Will the Minister of FINANCE be pleased to state:

(a) whether the cases of default in credit card payment are increasing in nationalised and commercial banks in the country;

(b) if so, the details thereof;

(c) whether the RBI has recently directed banks to take up immediate steps to reduce the incidence of default in credit card business;

(d) if so, the concrete steps taken by the banks in this regard; and

(e) the other steps taken to recover the outstanding dues from credit card holders?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a)& (b) : The Reserve Bank of India (RBI)had conducted a special study of credit card operations of 14 public sector banks/their credit card issuing subsidiaries in the year 2000 based on the financials of credit card business as on 31.3.2000. It was observed that the overdues in the credit card business had shown marginal increase in respect of 7 credit card issuing public sector banks, while in respect of other 7 credit card issuing public sector banks the overdues position in the credit card business had actually been reduced, as could be seen from the figures given below:

(Rupees in crores)

Name of the credit card issuing bank/subsidiary	Overdues in credit card business	
	1998-99	1999-2000
1. Allahabad Bank	1.23	1.45
2. Andhra Bank	83.26	54.70
3. BOB Cards (subsidiary of Bank of Baroda)	44.63	61.54
4. Bank of India	23.19	21.29
5. Canara Bank	8.47	6.70
6.Central Bank of India	3.18	2.41
7 Dena Bank	4.62	2.00
8. Oriental Bank of Commerce	2.26	0.42
9. Punjab & Sind Bank	0.99	1.05

10. Bank of Maharashtra	0.42	0.61
11. SBI Cards & Payments Services Ltd. (Subsidiary of SBI)	0.27	4.80
12. Union Bank of India	0.06	0.07
13. United Bank of India	0.32	0.31
14. Vijaya Bank	5.20	5.81

(c),(d) & (e): Yes, Sir. Based on the response received from banks, RBI had issued directions to banks that they should adopt safeguards to ensure that their credit card business are run on sound, prudent and profitable lines. It is, therefore, imperative that banks take immediate steps to reduce the incidence of default in this business and closely monitor the recovery of credit card outstandings. Banks may formulate specific Action Plans, engage recovery agents in collection of credit card overdues, maintain selectivity of customers in their credit card business and also take advantage of the existing negative file projects to guard against defaults in this business. Bank should clearly spell out fees/charges to the cardholder at the time of their applying for credit card, if not done so far.